

1959

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Recommended Citation

Robin D. Higham S., *The British Government and Overseas Airlines, 1918 - 1939, a Failure of Laissez - Faire*, 26 J. AIR L. & COM. 1 (1959)

<https://scholar.smu.edu/jalc/vol26/iss1/1>

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THE JOURNAL OF AIR LAW AND COMMERCE

Vol. 26

WINTER, 1959

No. 1

THE BRITISH GOVERNMENT AND OVERSEAS AIRLINES, 1918-1939, A FAILURE OF LAISSEZ-FAIRE¹

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THE failure of the British government to grasp the fundamentals of air transport in the period 1918-1939 led directly to the creation of the British Overseas Airways Corporation. B.O.A.C. is symbolic recognition that the Churchillian decree of 1920 (that civil aviation must fly by itself without government support²) was wrong. Civil airlines cannot operate unaided in the face of subsidized international competition however much the politicians want them to do so. Unfortunately Britain's awareness of the realities of commercial aviation, brought on by Hitler, came too late to prevent American monopolization of the airliner market. Even the British themselves, despite some notable designs, have been compelled to "buy American."

British power was based upon maritime and financial control of world commerce, but this advantage was destroyed in the first two decades of this century.

The First World War indicated the aeroplane's tremendous future potentialities. In recognition of these, the British government established in 1917 the Civil Aerial Transport Committee to investigate and report on a peacetime program. Their Report Cd. 9218 was based on maritime experience as aeronautical data was lacking. In this respect its ideas were sound legally and commercially, but not strategically.

As early as 1910 the Germans rightly grasped the fact that the aeroplane would cause a shift in the strategic importance of Britain and Germany. The British did not see that what had been a position of strength in naval affairs would be one of weakness in aeronautics. Thus they failed to agree to German proposals for freedom of the skies, preferring instead their naval-inspired concept of sovereignty. Thus, when their views were incorporated into international law in 1919,

¹ This article is based on my doctoral dissertation, Harvard University, 1957.

² 126 H.C. Deb. 5. s., 1622, 11 March 1920.

they provided Germany with the means for denying British companies the use of the shortest route to Bagdad.

The International Convention for Aerial Navigation (I.C.A.N.) was one of the more awkward of the many barriers erected by the Peace Conference. Not only was the British position as laid out in Cd. 9218, adopted, but also numerous countries were excluded completely. Germany was placed in a particularly obnoxious and obstructive position. The net results of this "sovereignty of the skies" policy for the British were unexpected and unfortunate. The Instone Air Line, an offshoot of the colliery company, and Imperial Airways, its successor, were denied a line from Cologne to Prague; this scotched plans for a London-Constantinople-Bagdad-Karachi route. British airliners were prohibited from crossing the Franco-Italian border until 1934. Basra-Karachi services were delayed from 1927 to 1929 and forced to relocate in 1931. And Britons in Burma were denied a Rangoon-Karachi air mail service by K.L.M. because this would have been cabotage (an aeronautical coasting voyage) by a foreigner. As enacted into British law in the Air Navigation Act of 1920, I.C.A.N. strongly resembled the earlier maritime navigation acts.

Though perfectly well-intentioned, the British started into the aeronautical age with a severe handicap. This was greatly increased by the government's insistence that civil aviation fly by itself and the politicians' inability to appreciate imperial-strategic, military-industrial, or prestigious reasons for a brilliant air service. All of these had been stressed by the 1917 committee. Moreover, the State had for centuries maintained a close, and financial, interest in shipping and seamen. In the nineteenth century and after, the Post Office had subsidized shipping space whether it used it or not. Yet with the airlines the government was reluctant to provide more than aerodromes and navigational-communicational facilities and the Post Office refused to pay for more than the actual number of surcharged letters carried. In view of the precedents in English history, such actions were inexcusable.

After the advent of Hitler and the consequent Anglo-French *rap-prochement*, the R.A.F. was munificently expanded and modernized. At the same time a reluctant reappraisal of the role of overseas airlines in the national interest, consciously or unconsciously, brought significant changes. The Empire Air Mail Scheme, co-equality for British Airways in subsidy, division and development of routes, and ultimately the creation of B.O.A.C. all sought to remedy the years of neglect. But war cut short a rationalization which would have placed B.O.A.C. in a first-class competitive position all over the world by 1943.

From the Armistice in 1918 to war in 1939 British overseas airline development falls into four periods: free competition (1919-1921), subsidiary experimentation (1921-1924), commercial monopoly (1924-1936), and dual non-competitive monopoly culminating in B.O.A.C. (1936-1939/40).

I

The aircraft available in 1918 were hardly suited to commercial operations. However, passenger carrying began immediately hostilities ceased, with the establishment of official services from England to British Army headquarters, the Peace Conference, and the army in the Rhineland.

Commercial flying began in August 1919. British and French companies operated from London to Paris and established lines to Amsterdam, Brussels and Cologne. Almost immediately the usual symptoms of commercial warfare appeared and were aggravated by international tensions. The French, strongly backed by a State fearful of a revived Germany, supported airlines as an auxiliary to a powerful air force. The British companies (Aircraft Transport and Travel, Handley Page Transport, and the Instone Air Line) were left to fend for themselves without government support. The R.A.F. was rapidly reduced from 30,000 aircraft to 24. Under these conditions, it is hardly surprising that French fare-cutting drove the British operators off the airways by 1921, with the result that British taxpayers' money went exclusively for radio, meteorological and aerodrome facilities for the French services.

II

Realization of this fact forced the government to take action. Secretary of State for Colonies and Air Churchill appointed a small committee to produce immediate proposals for reviving cross-Channel services. On 19 March 1921 Handley Page and Instone's re-commenced operations under the "temporary" scheme which was designed to support them till October when the "permanent" scheme was to be instituted. It was, however, delayed till April 1922. Under the "temporary" scheme the Air Ministry was committed to the extent of £88,200, while under the "permanent" this was increased to £200,000 per year.

In the interim business manipulations as a result of the effects of the post-war depression forced the liquidation of Aircraft Transport and Travel in 1920. By April 1922 Daimler Airway had been created as its successor.

Thus, by fiscal 1922³ three subsidized British companies (Handley Page, Instone's, and Daimler) were competing on the London-Paris route in opposition to the State-supported French. The incongruity of such an extreme insistence on competition went unnoticed at first. But owing to unexpected summer bad weather, the optimistic projection of the 1921 season failed to be realized. The airlines appealed and a "revised" subsidy arrangement was initiated in October 1922.

³ The British government's fiscal year runs from 1 April to the following 31 March. Fortunately, most aeronautical statistical and financial materials were and are kept on this basis, though answers in Parliament sometimes refer to calendar years.

This at last recognized the senselessness of inter-British competition and reassigned routes in order of seniority.⁴ Handley Page with the slowest aircraft were given the highly-competitive London-Paris service, Instone's retained the London-Brussels-Cologne route which they had pioneered, and Daimler Airway, with the fastest aircraft, was given the long Manchester-London-Amsterdam run pioneered by its forebear, Aircraft Transport and Travel. In the summer of 1923 a service by the British Marine Air Navigation Company between Southampton and the Channel Islands was also included. Although Instone's were denied Cologne-Prague-Middle East ambitions, Daimler was given German approval for a joint service to Berlin with Aero Lloyd, a shipping-combine ancestor of Deutsch Luft Hansa (D.L.H.).

Under the "temporary" scheme of 1921 the two companies had carried 5,804 passengers on 1,072 subsidized single flights, while under the "permanent" the three companies carried only 5,860 in 1,588 trips.⁵ Nineteen-twenty-three proved to be better. Whereas in the period April 1922-March 1923 British continental services carried 10,066 passengers on 2,960 flights,⁶ in 1923 11,948 flew on 2,714 flights⁷ (these figures include those on subsidized flights). Most of the gain in 1923 was attributable to larger aircraft.

Nevertheless, before the airlines had had a chance to see how the "revised" scheme would work out in the summer months, the new Conservative government decided upon a re-appraisal. Sir Samuel Hoare, Secretary of State for Air, appointed a committee of his former commercial associates⁸ to look into the whole business.

The Hambling Committee reported in February 1923. The government announced acceptance of its proposals in March.⁹ After examining each of the previous schemes, the Committee came to the conclusion that not one of the companies had sufficient financial resources to enable it to become financially attractive to investors. Without this asset no company could raise the capital required for the necessary extension of services, for only on the longer distances could aircraft compete advantageously with surface transport. Perhaps influenced by the current re-grouping of the railways, the Report (Cmd. 1811) proposed the formation of a company with £1,000,000 capital, a monopoly of routes, and a subsidy of £1,000,000 repayable over ten years.

Though without aeronautical experience, the Committee gave sound advice, particularly with respect to the company-State relation-

⁴ Cmd. 1811 (1923), is the basic document for this early period and contains statistics and a brief history of the years 1919-1923. The agreement of March 1921 was embodied in Cmd. 1521 (1921).

⁵ Cmd. 1811 (1923).

⁶ Cmd. 1900 (1923).

⁷ Cmd. 2210 (1924).

⁸ The Committee was composed of: Herbert Hambling, Joseph G. Broodbank, and Sir Samuel's brother, Oliver V. G. Hoare. For their relationship see 160 H.C. Deb. 5. s., 2161-2162, 1 March 1923.

⁹ 161 H.C. Deb. 5. s., 1618-1621, 14 March 1923.

ship. It appears to have thought the million-pound monopoly would be sufficient to encourage the company to develop routes without additional subsidy. The Report further stipulated that the subsidy should be paid in decreasing instalments and that none should be paid until certain minimum services and developments had taken place. Above all else, the Committee insisted the new company be run as a *commercial* affair with the object of making it self-supporting in one decade.

The government promptly invited proposals. Two sets were submitted.¹⁰ The Instone scheme, based upon their company's wide knowledge of international shipping, envisaged a steady development of services, dwindling subsidies and financial independence in eight years. The other three companies (Handley Page, Daimler, and B.M.A.N.) combined with a financial house under the control of Frederick Szarvasy, the saviour of the Dunlop Rubber Company and others. George Holt-Thomas, the founder of Aircraft Transport & Travel, was their spokesman. Negotiations dragged on with the Air Ministry all summer until the Instones were forced to join forces with the others. In December an Agreement (Cmd. 2010) was signed between the government and the British, Foreign and Colonial Corp., the above-mentioned financial house. This contract provided solely for European services and a minimum number of flights, a feature the Hambling Committee had thought unworthy of good management. The new monopoly company, Imperial Airways, was only registered just before it was due to take over operations on 1 April 1924.¹¹

III

Imperial Airways had an ill-omened beginning. Its formation had been delayed by the advent in January 1924 of the first Labor government in Britain and its operations were suspended by pilot troubles throughout April. Though brought into being to maintain British prestige in Europe, the company soon gave up its services to all but Paris, Zurich, Brussels and Cologne. Until 1938 its European schedules were conducted with obsolete biplanes, while its share of the London-Paris traffic dropped from over 60% in the early days to less than 40% by the time the Cadman Committee investigated in 1937/38.¹²

¹⁰ The Instone scheme was drawn up in some detail, printed, and presented to the Air Ministry in May 1923. It envisaged services gradually radiating from Britain to the Middle East and India as well as to Europe. The only piece of the rival scheme which has come into my hands indicated merely an increase in European services.

¹¹ Subsidy and other costs to the Government for the years 1921-1924 were as follows:

| | |
|---|-----------------|
| To De Havilland Air Taxi | £1,722 |
| Daimler Airway | £96,094 |
| Handley Page Transport | £94,472 |
| Instone Air Line | £119,234 |
| British Marine Air Navigation | £4,024 |
| To all the companies in gifts of aircraft | £65,027 |
| | Total: £380,573 |

¹² Cmd. 5685 (1938), 82.

The answer to the inevitable query is simple: on the one hand, the company was told in 1928 that its mission was imperial, and on the other, the British government refused to face economic facts. The company increasingly faced competition from well-subsidized, nationalized rivals with modern equipment, not to mention smaller British operators who flew faster and cheaper over the same routes without State-aid!

The British government in the early 'twenties was gravely concerned with other economic problems and it believed overseas airlines could develop without subsidies; a faith which conditions did not justify. Moreover, increasing tension with France necessitated a new look at defense. As a result the report on Imperial Defense of the Salisbury Committee was accepted.¹³ This committed the government to a five-year plan to raise an R.A.F. Home Defense force of 52 squadrons by 1928. In addition, in 1924 the Labor government adopted the Burney Airship Scheme (for trans-Atlantic services) and ordered two dirigibles for services to India and South Africa. Over £1,000,000 was expended upon this chimera which ended with the crash of R. 101 on her maiden flight.¹⁴

The Hambling Report indicated that £1,000,000 in subsidy would be sufficient for imperial development if the company raised an equal capital sum. Imperial Airways, however, proceeded to obtain additional subsidies for each new sector over and above development work and facilities provided by the R.A.F. By 1935 its subsidy amounted to some £500,000 annually. Nor did it raise more than 64% of the required capital until 1936/37. The government avoided re-thinking the problem until 1936, being content until then with taking credit for the achievements of Imperial Airways while disowning all problems as the commercial concern of the company.

The various agreements¹⁵ made with the company from 1924 were consolidated into Cmd. 3143 in 1928. This was a victory for Sir Eric Geddes, former railwayman, Minister of Transport, chairman of both the Dunlop Rubber Company and Imperial Airways, and notorious for his toughness and his "Axe." It granted the company both secrecy in regard to contract details and first option on any new routes which the London government might subsidize. This latter weapon enabled it to deprive the Cobham-Blackburn organization of the fruits of their pioneering of a Cairo-South African route and to prevent any other British company obtaining a subsidy until 1936. Thus this private company enjoyed an ultra-privileged position in regard to subsidies, while at the same time to its disadvantage it played a semi-public role in imperial strategy.

¹³ Lord Templewood (Sir Samuel Hoare), *Empire of the Air, 1922-1929*, London, 1957, gives the Air Minister's view of these years.

¹⁴ For the dramatic study of this disaster see James Leasor, *The Millionth Chance*, London, 1957.

¹⁵ Cmd. 2010 (1923), Cmd. 2574 (1925), and Cmd. 2758 (1926).

The Air Council, the policy-making apex of the Air Ministry, ended World War I with some far-sighted plans for imperial defense, but these were soon pigeon-holed. Pioneer work was done, however, to provide a string of airfields from Cairo to both South Africa and to the Straits Settlements. Proving flights were made over the former by Brand and van Ryneveldt and over the latter by the Smith brothers. Thereafter these routes were neglected until Imperial Airways extended its operations.

In 1926 Imperial Airways was assigned the task of operating the Desert Air Route from Cairo to Basra in place of the R.A.F. Operations commenced in early 1927, though the planned service through to Karachi was blocked by Persia until 1929. After a further diplomatic impasse in 1931, the route was transferred to the Arabian Coast of the Persian Gulf as the R.A.F. had originally desired. This is but one example of a number of delays which might have been eliminated if the company had had the full financial, political and diplomatic support which as the government's "chosen instrument" it deserved.

From 1926 to 1937 the company pioneered lines from Cairo to London, the Cape and Delhi. After the worst of the depression wore off and Indian government obstructionism ceased in 1933, it added a line to Singapore to link up with the Australian service to the Antipodes. In 1934 agreements were reached with Italy and France for airborne, instead of rail, connections from Paris to Brindisi. However, lack of aircraft till 1937 prevented all but token mail flights. And in the last years before the war Bermuda-New York and trans-Atlantic services were inaugurated in conjunction with Pan-American Airways.

Until 1930 Chief of the Air Staff Sir Hugh Trenchard had to spend much of his time defending the unity of the R.A.F. from the scalpels of the Army and Navy and its budget from economy-minded politicians. Though the Salisbury Committee confirmed the R.A.F. as the permanent third service in 1923, inter-service bickering has continued down to today's struggle over missile control.

Given this situation, the government cannot, perhaps, be blamed entirely for failing to see clearly in the years 1924-1935 the strategic imperial role which in an off-handed way it was expecting Imperial Airways to play. Churchill's dictum, reinforced by that of the Hambling Report, had been firmly planted in Conservative minds. Labor demanded the internationalization of air transport, if not all civil aviation. And Sir Eric insisted on dividends before development to encourage capital investment. Is it at all surprising that few people should have seen the true role of the monopoly outside of Europe?

And yet there were signposts. K.L.M. was used to link the Dutch East Indies to the Netherlands; *Deutsch Luft Hansa* was a nationalized, if not nationalistic, organization; and Air France, after its creation in 1933, was an instrument of national prestige and policy. Ironically, the latter two were inspired by the formation of Imperial Airways. A clue

to the official British mind of the time may be had in the constant pride shown over Imperial Airways' safety record to the complete neglect of the essential asset of air travel—speed!

Rearmament brought with it a major reappraisal of the position of the monopoly company. At the end of 1934 the government announced that in 1936/37 it would initiate the Empire Air Mail Scheme under which all first-class mail to the Empire would be flown at the 1½d rate.¹⁶ This scheme was in part the work of Imperial Airways which had come to realize by 1932 that the limits of surcharged mail traffic had been reached and suggested a reappraisal of the ideas raised in the earlier Air Conferences.¹⁷ Its suggestion coincided with question of the renewal of its charter, with French disarmament proposals, and with the reorientation of British foreign policy due to Hitler.¹⁸ Consciously or not, the Empire Air Mail Scheme, subsidy for British Airways, and the development of routes to West Africa and South America must be considered as part of a whole strategic realignment of policy. As a consequence of such thinking the laissez-faire view of overseas airlines of Churchill and Hambling came to be abandoned.

IV

In 1935 a new Interdepartmental Committee on International Air Communications under the chairmanship of the Permanent Secretary to the Treasury, Sir Warren Fisher, examined the whole British position. Its recommendation made British Airways into the second "chosen instrument" in 1936.

This new company had just been created by banking and aeronautical interests closely allied with the railways' traditional enemies, the motorbus operators. Capt. Harold Balfour (later Under-Secretary of State for Air, 1938-1944), a director of both British Airways and of the financial house of Whitehall Securities, had long been a prominent critic in Parliament of Imperial Airways. By 1935 the older monopoly was not only assailed for its connections with the railways through Railway Air Services whose personnel Imperial Airways supplied, but also for its antique biplanes, which were far slower than the American-built monoplanes of its European rivals.

Advisory committees had stressed the importance of civil aviation to the war-potential of the aircraft industry. Contracts with Imperial Airways had been drawn with this in mind.¹⁹ Yet the company neither

¹⁶ 296 H.C. Deb. 5. s., 1328-1331, 20 Dec. 1934.

¹⁷ See Cmd. 1157 (1920) and Cmd. 1619 (1922).

¹⁸ The turning point in Britain came with the following Debates in Parliament: 281 H.C. Deb. 5. s., 579-702, 13 Nov. 1933; 90 H.L. Deb. 5. s., 163-193, 29 Nov. 1933; 90 H.L. Deb. 5. s., 346-385, 7 Dec. 1933.

¹⁹ Cmd. 2574 (1925). It had been found that the requirement for a minimum number of flights encouraged the use of single-engined aircraft. The change was designed to encourage the use of multi-engined planes by using a horsepower-mileage basis rather than pure mileage.

raised the capital called for by the Hambling Report²⁰ nor did it order, until the Empires and Ensigns were contracted for in 1934, more than eight aircraft at a time.²¹ Not only were all its aircraft hand-crafted, but also the company used them on first-class services long after the four-year amortization period had passed. However, Imperial Airways alone was not to blame. The Air Ministry did not possess a modern transport aircraft for government use from about 1924 until just before the war in 1939.²²

In 1934 Imperial Airways had ordered 30 Empire flying-boats from Short Brothers. These began to appear in 1936 and a considerable improvement in Empire services began. However, the Armstrong-Whitworth Ensign landplanes ordered for the Continental services were so delayed in production by the rearmament of the R.A.F. as to be obsolescent by the time they went into service in 1938/39. As they were withdrawn for modifications almost at once, British services to the Continent had to be operated by small, sleek De Havilland Frobishers or stately old biplanes.

There were other serious areas of neglect. By 1936 there were no British services to the all important North German-Scandinavian area and no regular British night services in Europe at all. It was into this void that the firms joined in British Airways sought access.

Though in 1936 Imperial Airways appeared to be under official pressure to give up its monopoly of the area north of the line London-Berlin to British Airways, it actually attempted to get the latter to operate all Continental services. Similarly, Imperial Airways and the Post Office had failed to develop services to South America, despite considerable British business interests there. The Post Office had been content to pay some £150,000 a year in gold francs to the French and German authorities for the use of their services to West Africa and South America. British Airways was granted this field, too, with the government paying the costs of all exploratory work and guaranteeing a subsidy when services should begin. However, no British service

²⁰ Up to 1936 the company had never raised more than £650,000 of the £1,000,000 required. The purchase of some 44 new aircraft on order from 1934 required the issuance of another £1,000,000 of shares in 1936. Judging by the borrowing powers accorded B.O.A.C. in its establishment Act, the company was still under-capitalized for the duties it had to perform.

²¹ Imperial Airways ordered: 3 Argosies in 1925/26, 4 Argosies in 1927/28, 5 Hercules in 1926/27, 5 Calcuttas in 1928, 3 Kents in 1931, 8 Hannibal/Heracles in 1929/31 and 8 Atalantas in 1930/33. The above orders were spread out over three different firms: there were also some smaller orders to a few other companies. This was hardly enough to maintain the industry's war potential. Except for the second batch of Argosies, all of these aircraft were ordered off the drawing boards, as were the Short Empires of 1934-37.

²² After sponsoring a contest for civil aeroplanes in 1920, the Air Ministry bought an aircraft here and there for evaluation, but was content to make use of modifications of the 1918 Vickers Vimy bomber for most of the inter-war period. No. 216 Squadron in Cairo in 1940 was still flying modified Vimys! About 1936 the Air Ministry accepted some Bristol and Handley Page bomber-transport while at the same time beginning to encourage the design of real transport aircraft. The first of these designs, the DH 91 Albatross was a trans-Atlantic mailplane which, with true logic, Imperial Airways used on the London-Paris run. The Fairey four-engined pressurized monoplane, which would have rivalled the DC 4, was cancelled when war broke out.

operated this route until after World War II due to failure to obtain permission to cross Spain. This was just one more example of the kind of diplomatic and technical snag which should have been overcome, if for no other reason than prestige, before it frustrated vital services.

In 1937 the newly-instituted Imperial Airways service to Budapest suffered from icing of aircraft and engines; British aircraft were unable to operate to Switzerland in winter weather; Imperial Airways aircraft flew at about 110 m.p.h. compared with the nearly 200 m.p.h. of the new American monoplanes of K.L.M., Swissair, and British Airways, not to mention new French types; Imperial Airways was paying ever larger dividends, 9% in 1937 plus an increase in directors' fees, while at the same time discharging pilots who attempted to organize a union. Subsidized Imperial Airways belonged to the "booking ban" (a practice which prevented travel agents from handling tickets for companies not approved by the railways) organized by the railways against the busmen's airlines. To crown it all, British Airways was refused advertising space in *The Imperial Airways Gazette*, though Deutsch Luft Hansa could obtain it. With Parliament and the public believing this situation, trouble was bound to occur.

After failing to gain satisfaction for their demands through the agency of the Guild of Air Pilots and Air Navigators, the pilots organized the British Airline Pilots' Association (B.A.L.P.A.). Fortunately, one of the officers of the Association, Robert Perkins, was also a pugnacious M.P. He raised the question of the pilots and launched a full-scale attack on both the Government and Imperial Airways,²³ with the result that the Cadman Committee was created. At first it was composed of civil servants. But upon protest to the prime Minister, it was changed to include only private citizens.²⁴

The Cadman Report (Cmd. 5685) did not mince words. It excoriated the Government for its failure to provide a full-time Under-Secretary for Civil Aviation and called for a shakeup in the office of the Director-General of Civil Aviation. It recommended the creation of a joint company to run the London-Paris service (in place of allowing British Airways and Imperial Airways to compete). It strongly suggested the allocation to British Airways of most European services and all lines to West Africa and South America, correctly contending that Imperial Airways had enough to do with running services to South

²³ 328 H.C. Deb. 5. s., 404-413, 28 October 1937. 329 H.C. Deb. 5. s., 417-479, 17 November 1937.

²⁴ 328 H.C. Deb. 5. s., 404-413, 28 October 1937, and 329 H.C. Deb. 5. s., 417-479, 17 November 1937. See 329 H.C. Deb. 5. s., 1218, 24 November 1937 and 329 H.C. Deb. 5. s., 1879-1880, 30 November 1937. The original committee consisted of Lord Cadman of the Anglo-Iranian Oil Company as chairman, with Sir Warren Fisher of the Treasury and Sir William Barrowclough Brown, long private secretary to the Presidents of the Board of Trade, of whom one had been Sir Philip Cunliffe-Lister, now, as Lord Swinton, Secretary of State for Air. The new committee retained Lord Cadman and added Sir Frederick Marquis (later Lord Woolton) (a large Midlands retailer), T. Harrison Hughes (ship-owner and member of the Suez Canal Company) and J. W. Bowen (General Secretary of the Union of Postal Workers).

Africa, Australia, Hong Kong and across the Atlantic. It pointed to the need for greatly increased subsidies and better aircraft.

Its most biting words were reserved for the management of Imperial Airways. Its chairman, Sir Eric Geddes, had succumbed in the summer of 1937 with the result that the odium fell upon the trusted Managing-Director, who thus became a victim of circumstances. The Report characterized the company's labor relations as poor and called for drastic changes, commented adversely on its services in Europe, and called its attitude towards the government unyielding and unbecoming to an organization in receipt of such large sums of public money.²⁵ The government accepted the Report and at once initiated proceedings for changes.

In the meantime Parliamentary criticism of the fact that the Secretary of State for Air sat in the Lords and that the performance of the Under-Secretary in the House of Commons was mediocre led to a change in command. Sir Kingsley Wood succeeded Lord Swinton and Harold Balfour became Under-Secretary.

The Cadman Report had recommended a full-time chairman for Imperial Airways, Sir Eric Geddes having been principally chairman of the Dunlop Rubber Company. After an embarrassingly long search the government solved two problems at once. Sir John (later Lord) Reith was persuaded to leave his impartial management of the British Broadcasting Corporation and to take command of the airline. He agreed to move on condition the principal overseas airlines were nationalized. Both the government and the directors of Imperial Airways reluctantly swallowed the pill. Reith took over in July and nationalization was announced on 11 November after the completion of the basic plans.²⁶ Valuations were made, and the stockholders of both Imperial Airways and British Airways agreed to sell in the following June. The British Overseas Airways Bill was introduced into Parliament in the summer and received the royal assent on 4 August. Thus was created the British Overseas Airways Corporation with vast borrowing powers. The Corporation was expected to take over the older companies on 1 April 1940, but in fact war caused the creation of a national air transport organization in the Autumn of 1939.

V

The British Government's policy in regard to civil air transport was in many respects in odd contrast to its attitude in most other

²⁵ In fiscal 1934 Imperial Airways subsidy was £561,556 and postal payments added another £290,000. Imperial Airways revenue from all government sources in 1934 was £857,954 out of a total revenue of £1,197,807 on which a profit of £133,769 was realized to the benefit of private stockholders. (Cmd. 5685 (1938) and 309 H.C. Deb. 5. s., 454-455, 26 Feb. 1936.) With the Empire Air Mail Scheme the company's revenues from government sources mounted rapidly. Examination of the evidence presented to the Cadman Committee by Imperial Airways and talks with the former Managing Director, Mr. George Woods-Humphrey, as well as historical insight make the strictures against the management open to considerable reservations, if not complete revision.

²⁶ 341 H.C. Deb. 5. s., 453-455, 11 Nov. 1938.

matters economic. Foreign interference with the development of routes was based upon the false view of air space taken at the Paris Peace Conference. Subsidies were pushed down an unwilling Government's throat by the actions of other powers and were rarely granted with the Imperial purpose in mind. Help was, however, provided by the R.A.F. for the establishment of many routes.

The Government was probably most to blame when it failed to make Imperial Airways live up to its obligations, both legal and implied. Though the Cadman Committee blamed the Managing-Director for taking too commercial a view of his responsibilities, he was by no means entirely to blame, for had not the Government of 1923 insisted that the million-pound-monopoly company was to be a commercial affair? Moreover, Sir Eric Geddes was a hard driving personality with ample experience of the Government and its officials, and the Cadman Report would seem to indicate his determination to place dividends first, a distinctly commercial view.

The question of personal interests and the pressure of politics cannot be overlooked. Except for the two brief interludes of Labor government in 1924 and 1929-1931, the Conservatives were in power and reluctant to interfere with business. The majority of the Secretaries of State for Air were enthusiasts, including Labor's Lord Thomson who paid for his devotion with his life, but they always had to concentrate on the preservation or expansion of the R.A.F. and to battle half the year with the annual budget. That these politicians did not see the importance of civil aviation must not be held too heavily against them, for neither did the Air Council. The Air Ministry's interest in transport aircraft remained apathetic long after the Russians and others had demonstrated the use of paratroops and after British experience in the Middle East and India had shown their possibilities.

The 1923 decision to create only one monopoly company is, today, open to serious question. British policy has vacillated between one and several companies. In 1939 B.O.A.C. absorbed Imperial Airways and British Airways as Imperial Airways had taken over the older organizations in 1924, but in 1946 three companies were established. After a short independent existence British South American Airways was reabsorbed by B.O.A.C. while British European Airways remains as a comparative-cost yardstick. Greater things might have been achieved if the three older companies and their financiers had been granted the European monopoly in which they had some background, while the Instones, the only ones with wide commercial experience abroad, had been given the Empire routes with full recognition of their imperial mission.

What has been said above must not, however, allow the reader to overlook the very real achievements of that small band who labored under many human and geographical handicaps to stretch British air routes from New York to Europe, South Africa, the Far East and Australia. It was these men, not the politicians, who laid the foundations for B.O.A.C.